



UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON DC 20301-1100



COMPTROLLER

25 MAR 1998

Honorable Floyd D. Spence  
Chairman  
Committee on National Security  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

Section 911 of the National Defense Authorization Act for Fiscal Year 1998 requires the Department to submit a report on the following: reductions in management headquarters personnel; efforts to better define management headquarters activities; and initiatives to further reduce, streamline, and eliminate management headquarters activities. The purpose of this letter is to provide a status report on the Department's efforts in these areas.

As you know, Section 903 of the National Defense Authorization Act for Fiscal Year 1997 requires a 25 percent reduction of the Office of Secretary of Defense (OSD) personnel from FY 1994 through FY 1999. Furthermore, Section 911 of the National Defense Authorization Act for Fiscal Year 1998 Act requires a 25 percent reduction in DoD-wide management headquarters personnel from FY 1997 through FY 2002.

Reductions in management headquarters are essential to reducing the Department's infrastructure. A key element of the Defense Reform Initiative (DRI) is to set the Department's agenda for the more fundamental changes to DoD's overhead and business practices that are necessary to provide resources for our modernization needs and to keep up with operational innovations over the long term. American business has learned that reengineering business practices requires the concomitant reengineering of the business headquarters. We intend to learn from those experiences and seize the opportunity to prepare the Department for the challenges of the 21st century.

To implement these changes, the Secretary of Defense has made a series of decisions to streamline, reduce, and eliminate DoD headquarters elements, beginning with those headquarters elements nearest the Secretary of Defense – the OSD and the Joint Staff. As a result, the Department is:

- Reducing OSD personnel authorizations, including the Defense Support Activities, by 33 percent from FY 1996 through FY 1999 under the DRI. With these and other reductions, the Department has exceeded the National Defense Authorization Act direction to reduce OSD personnel, including Defense Support

Activities and Washington Headquarters Service by 25 percent from FY 1994 through FY 1999 .

- Reducing Joint Staff personnel, including the Chairman Controlled Activities, by 29 percent from FY 1996 through FY 2003 under the DRI. This meets the 25 percent reduction required for OSD, Defense Support Activities, the Joint Staff, and Chairman Controlled Activities personnel from FY 1997 through FY 2002 under Section 911 of the National Defense Authorization Act for Fiscal Year 1998.

The above reductions have been implemented in the FY 1999 President's Budget.

Substantial reductions have also occurred in the headquarters components of the Military Departments and the Warfighting Commands; however, they took place prior to FY 1997. By the end of FY 2002, the Military Departments and Warfighting Commands will reduce their management headquarters by 29 percent and 22 percent, respectively, from FY 1992. (This includes the 10 percent reduction mandated by the DRI.) Since these reductions were implemented in earlier years, they are not reflected in the years covered by Section 911. Therefore, we are seeking repeal of the language in the FY 1998 Defense Authorization Act requiring the 25 percent Department-wide reduction in the Department of Defense Reform Act of FY 1998, submitted to Congress on February 2, 1998. Repeal of this language will provide us the flexibility to identify initiatives to further reduce, streamline, and eliminate headquarters activities.

In addition, the Department is reviewing its definition of management headquarters in order to better account for the resources devoted to this activity. The Director of Administration and Management has established a DoD Management Headquarters Working Group, consisting of representatives from the Military Departments, the Joint Staff, and OSD. The working group is reviewing the definitions, policies, and procedures contained in the Department's Management Headquarters and Headquarters Support regulation (DoD Directive 5100.73) to determine whether it should be revised, replaced, or augmented. Furthermore, the working group is also reviewing whether the definitions contained in the current directive need to be modified to ensure that they are applied uniformly throughout the Department.

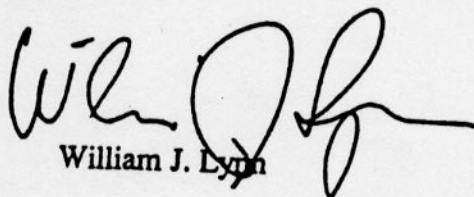
Although the working group has not completed its task, some preliminary findings indicate the DoD Directive should be revised to:

- Clarify and strengthen the policies and procedures pertaining to the application of these definitions in identifying management headquarters activities and accounting for associated personnel;
- Assess and revise the list of activities currently identified as management headquarters; and

- Provide for periodic compliance reviews to ensure that the regulation is being implemented in an appropriate manner and the terms of the definitions are being applied uniformly throughout the Department.

I will submit to the committee the Department's revisions to its Management Headquarters and Headquarters Support Directive when it is completed in July 1998. Furthermore, the Defense Management Council (DMC) will continue to look for additional opportunities to streamline and restructure the Department's management headquarters activities in addition to those efforts identified in the DRI. Any DMC initiatives regarding management headquarters activities will also be reported to the committee.

I look forward to discussing with you additional reforms in the Department's management headquarters activities. My staff will provide you additional information on the OSD and management headquarters reductions implemented in the DRI. Your support of the DRI is crucial to its success.



William J. Lynn

cc: Representative Ike Skelton  
Ranking Democrat



# MANAGEMENT HEADQUARTERS

- FY98 DoD Authorization Act directed a 25% reduction in MGT HQ personnel from FY97 to FY02.

	<u>FY97 Base</u>	<u>FY97-02</u>
OSD/DSAs	2,587	-23%
Joint Staff/CCAs	<u>2,610</u>	<u>-27%</u>
TOTAL	5,197	-25%



DRI meets targets

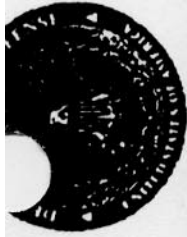
## Reductions FY92-02

	<u>FY97 Base</u>	<u>FY97-02</u>
WHS HQ	429	-12%
CINCS HQ	5,023	1%
Service HQ	38,118	-11%
Other	<u>4,138</u>	<u>-7%</u>
TOTAL	47,708	-9%



These components took substantial reductions prior to FY97.





# MANAGEMENT HEADQUARTERS

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- **Why we are seeking repeal of the 25% DoD-wide reduction:**
  - QDR reduces military personnel by 60,000 and civilian personnel by 80,000.
  - Services and CINCS took significant MGT HQ reductions prior to FY97.
  - Did not want impose an additional 25% reduction on top of these reductions; it would break organizations.
  - As a result, we implemented a 10% MGT HQ reduction from FY98-FY03.



# MANAGEMENT HEADQUARTERS

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- QDR directed a special study of HQ.
- Preliminary data reported DoD HQ personnel as 80k versus the 50k reported in the FY1998 Budget.
- The 30k difference results from the inclusion of total CINC personnel and some Service Field Operating Agencies.
  - These do not fit the definition of the MGT HQ personnel in DoD Directive 5100.73.



# MANAGEMENT HEADQUARTERS

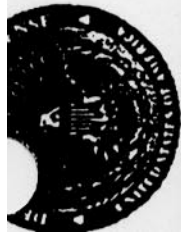
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- **Section 903 of the FY97 Authorization Act:**

- Implements a phased reduction of 25% in OSD personnel by October 1, 1999 (end of FY99).
- Establishes October 1, 1994 (end of FY94) as the baseline for the reduction.
- Defines OSD as military & civilian personnel employed in OSD, DSA & WHS.

- **Section 911 of the FY98 Authorization Act:**

- Implements a phased reduction in MGT HQ personnel of 25% by October 1, 2002 (end of FY02).
- Establishes October 1, 1997 (end of FY97) as the baseline for the reduction.
- Defines MGT HQ per DoD Directive 5100.73.



# MANAGEMENT HEADQUARTERS

- FY97 DoD Authorization Act directed a 25% reduction in OSD personnel from FY94 to FY99.

## FY94-99

OSD/DSAs

-35%

WHS

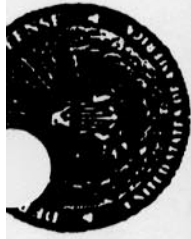
-17%

TOTAL

28%

DRI exceeds targets





# MANAGEMENT HEADQUARTERS

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- Section 911 required the review of DoD Directive 5100.73.
- Established a DoD Working Group to review the definition, policies, and procedures contained in the Directive.
- Preliminary findings indicate:
  - Clarify and strengthen the policies pertaining to MGT HQ application
  - Assess and revise list of identified MGT HQ activities
  - Provide for periodic compliance reviews
- Will submit to Congress the group's findings by July 1998.